



Tax Administration Reform Project in Uzbekistan (P173001)

EUROPE AND CENTRAL ASIA | Uzbekistan | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2021 | Seq No: 1 | ARCHIVED on 29-Sep-2021 | ISR48012 |

Implementing Agencies: Republic of Uzbekistan, State Tax Committee

Key Dates

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Bank Approval Date: 16-Jun-2021

Effectiveness Date: --

Planned Mid Term Review Date: 31-Jul-2023

Actual Mid-Term Review Date:

Original Closing Date: 30-Jun-2026

Revised Closing Date: 30-Jun-2026

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The development objective is to improve the operational efficiency and effectiveness of the State Tax Committee (STC) and increase voluntary compliance.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components Table

Name

Automation of core tax administration business processes:(Cost \$45.00 M)

Reduction of the informal economy:(Cost \$9.00 M)

Strengthening HR and institutional capacity for tax administration and delivery:(Cost \$4.00 M)

Supporting Project Management:(Cost \$2.00 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	--	<input type="checkbox"/> Satisfactory
Overall Implementation Progress (IP)	--	<input type="checkbox"/> Satisfactory
Overall Risk Rating	--	<input type="checkbox"/> Substantial

Implementation Status and Key Decisions

The project was approved by the World Bank's Board of Executive Directors on June 16, 2021. The Financing Agreement is expected to be signed in early 2022. In the meantime, the State Tax Committee is working on internal procedures towards ensuring signing in early CY2022 and fulfilment of conditions for effectiveness (establishment of the Project Implementation Unit and adoption Project Operational Manual) in due time.



Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	☐ Moderate	--	☐ Moderate
Macroeconomic	☐ Moderate	--	☐ Moderate
Sector Strategies and Policies	☐ Moderate	--	☐ Moderate
Technical Design of Project or Program	☐ Moderate	--	☐ Moderate
Institutional Capacity for Implementation and Sustainability	☐ High	--	☐ High
Fiduciary	☐ Substantial	--	☐ Substantial
Environment and Social	☐ Moderate	--	☐ Moderate
Stakeholders	☐ Moderate	--	☐ Moderate
Other	☐ Moderate	--	☐ Moderate
Overall	☐ Substantial	--	☐ Substantial

Results

PDO Indicators by Objectives / Outcomes

Improved Operational Efficiency				
► Reduction of cost-of-collection ratio of STC (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1.53	--	1.53	0.80
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	The ratio = total recurrent expenditure of STC (as a proxy of administrative cost) divided by total tax revenue collected by STC. This indicator measures the operational efficiency of the tax administration. Baseline = 2019. In 2019, total STC budget (minus capital expenditures) was ~ 1,283bn and revenues collected by STC was ~ 83,354bn, rendering the baseline collection ratio 1.53%.			

Improved Operational Effectiveness				
► Reduction in VAT compliance gap (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.45	--	0.45	0.25



Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator measures the difference between the total observed VAT revenue collected (net of refunds) with total potential VAT revenues (net of refunds). This indicator does not include the policy gap that is related to change in tax policy (e.g., remove an incentive). Baseline = 2018. The baseline was calculated using the assumption of 75% compliance rate (average rate for LAC). The model using 2018 data estimated the VAT potential at ~ Soums 50,690bn. Collected VAT was ~27,875bn. Hence baseline is 45% or 0.45			

Increased Voluntary Compliance				
▶ Number of additional assessment cases resulting from tax audits to LTO taxpayers, as a percent of total LTO audit cases selected using the risk management framework (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	80.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator measures the effectiveness of the risk management framework used to select cases for audit in the LTO. This indicator will measure the number of additional assessment cases that resulted from tax audits to large taxpayers as a percent of total audit performed in the year by the LTO			

Intermediate Results Indicators by Components

Automation of Core Tax Administration Business Processes				
▶ IT infrastructure enhanced (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	n/a	--	n/a	Manuals for all modules of tax system developed
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator includes measures to enhance the IT infrastructure at STC starting with an overarching ICT strategic plan and include upgrading data center, introducing cyber security protocols, an audit case management module, etc. Measures should account for Covid-19 to ensure business continuity.			
▶ Coverage of electronic tax services (% total) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	60.00	--	60.00	90.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator measures the percentage of services (e.g., registration, filing, VAT refunds) provided by STC in electronic form - already implemented - as percentage of total services. The ICT assessments carried out in 2019 helped to provide a best guess on the baseline coverage estimated at 60%. Currently, the system offers many e-services to taxpayers. Taxpayers can access a variety of information through the on-line portal http://my.soliq.uz and can interact with STC to complete various on-line requests, including filing tax declarations, submitting refund requests, requesting information and tracking replies. However, there is little support for peripheral services, such as complaints, arrears, audits, legal, etc.			



► Coverage of automated business processes (% total) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	50.00	--	50.00	90.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator measures the percentage of business processes that are automated under the new ICT system. Currently, there are no process maps to identify the percentage that are automated. ICT assessments \ showed that audit process was partially automated, the legal process is not automated. STC has limited business intelligence support and refund management is done partially on paper. The systems provide little support for Workflow Management, the taxpayer registry is incomplete, and there is little support for risk management. These facts can be translated into a baseline of 50% (at most) of processes that are automated.			
► ICT customers (i.e., STC staff satisfaction rate) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	90.00
Date	30-Apr-2021	--	01-Oct-2021	30-Jun-2026
Comments:	This indicator is a proxy of the quality of the service provided by the new ICT system. It is calculated as the satisfaction rate (%) of the STC employees – the users of the ICT system. It will be measured via surveys.			
► Reduction in time to process VAT refunds (Days, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	60.00	--	60.00	30.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	Number of days to process a complete VAT refund request – from claim submission to disbursement/rejection. STC does not have a case management system to derive the data and compute the average time to process a refund. However, the Decree #489 (August 2020) stipulates that VAT refunds must be processed in 60 days (Accelerated cases need to be processed in 7 days). Prior to this decree, only exporters were allowed to submit a VAT refund claim. The baseline is assumed to be 60 days or the maximum amount permitted by law. This is a plausible assumption since it will take time for STC to process the expected surge in claims. All claims, including the ones that go to audit, are included in the calculations. The target is set at 30, which is in-line with best practice observed in OECD.			

Address Tax Barriers to Reduce the Informal Economy

► Total stock of arrears as percentage of domestic tax revenues collected (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	4.00	--	4.00	5.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator measures the ratio of arrears (i.e., outstanding taxes generated from PIT, CIT, VAT) as a percent of tax revenues collected on domestic transactions (i.e., revenues from PIT, CIT, and VAT, but			



<p>excluding custom duties). The total stock is calculated at the end of calendar year (baseline is December 31, 2019). If data is provided by taxpayer segment, the same ratio can be monitored for large and non-large taxpayers. Until audit operations are resumed (moratorium lifted), it is difficult to assess the true stock of arrears. In 2019, STC data showed a total stock of arrears as percent of domestic revenues at 4% (it was 12.3% in 2017). This is a low ratio and better than most OECD countries. Once audit is resumed, it is expected that the stock of arrears to increase. The target thus is for this indicator not to exceed 5%.</p>				
<p>► Increase number of cases selected for audit using the risk-assessment framework (as a % of total audits/inspections) (Percentage, Custom)</p>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	0.95
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	<p>This indicator measures the percentage of audits that use a risk-based approach in the case selection over the total number of audits. It will be monitored from Year 2 when the risk-based audit approach is expected to be fully implemented. There is no baseline since as of September 2020, audit is not being carried out due to the moratorium. The final target is 95% as tax administrations need to allocate some cases to be randomly selected for audit (i.e., outside the automated tool). There could be also potential inaccuracy in the selection algorithm that warrant manual intervention and correction. This explains not setting the target at 100% .</p>			
<p>► Reduction in hours to prepare, file and pay tax - paying taxes indicator - doing business (Hours, Custom)</p>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	181.00	--	181.00	159.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	<p>This indicator reflects the “time to comply” sub-indicator in the Paying Taxes Doing Business Indicator of the WB annual publication. Baseline = 2019</p>			
<p>► Voluntary Compliance Enhanced (Text, Custom)</p>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	n/a	--	n/a	Multi-channel service delivery in full operation.
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	<p>This indicator covers measures to enhance voluntary compliance and broadening the tax base. Measures include an overarching strategy, an anti-corruption strategy, as well as mechanisms and tools to attract new taxpayers. The strategy ought to include measures that aim to contain initial loss due to Covid as well as plans to ensure business continuity and recovery.</p>			
<p>► Number of registered and active VAT taxpayers (o/w large taxpayers) (Number, Custom)</p>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	81,112.00	--	81,112.00	97,335.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	<p>This indicator measure new taxpayers that are registered with VAT (i.e., have a tax ID). Active is defined as a taxpayer who has filed at least once in the current fiscal year. Baseline = 2019. The The target is an increase of 20% for total and large taxpayers that are registered and active.</p>			



► Overall taxpayers satisfaction with STC services, operations, and engagement (focusing on satisfaction rate on engagement) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	80.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator measures the taxpayers' satisfaction with STC's services, operations, and engagement. The services may include the call center, the website, e-services, complaint desk, etc. The survey will include questions that will gauge the satisfaction of taxpayers particular focus on the level of engagement. Questions may include the views of taxpayers and citizens solicited, and taking into account in the design of policies or services.			
► Increase in tax revenues collected by STC (cummulative, bn som) (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	83,354.00	--	83,354.00	100,858.00
Date	30-Apr-2021	--	01-Oct-2021	30-Jun-2026
Comments:	This indicator reflects actual tax revenue collected by STC. Baseline = 2019. The objective is to monitor compliance with the aim of containing revenue loss and restoring pre-covid collections level by year 3.			

Strengthen HR and Institutional Capacity and Delivery				
► HR infrastructure enhanced (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	n/a	--	n/a	Staff performance evaluation framework adopted.
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator entails measures taken to revise the HR infrastructure at STC by conducting a strategic plans, introducing staff satisfaction surveys and a new performance management framework. The new plans ought to include flexible and innovative work arrangement in light of Covid.			
► Share of women in managerial positions at STC in headquarters and the regional offices (% total managerial positions) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1.40	--	1.40	7.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator measures the reduction of the gender gap of staff in management positions at STC. As of September 2020, there were 3 women (or 1.4%) in top management positions. For non-mangerial positions, the share of women was 10.7%			
► Capacity building program institutionalized (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target



Value	n/a	--	n/a	Capacity building program piloted.
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator entails to take stock of measures to institutionalize training of staff (training needs, courses developed, etc.) with the aim of supporting the future set-up of the Fiscal Institute by STC. Flexible and differentiated training modalities ought to be considered.			
▶ Staff just-in-time trained on tax functions (e.g., audit, arrear management, registration) and disaster risk management and business continuity - cumulative, 50% of which are female (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	120.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator measures capacity building tasks carried out under the project. It will be expressed in cumulative numbers and will target a 50% female participation.			
□ 50% of which are female staff just-in-time trained on tax functions (Number, Custom Breakdown)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	60.00
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
▶ Tax Analysis Enhanced (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	n/a	--	n/a	Core team – composed of men and women - trained and entrusted permanently with tax analysis.
Date	30-Apr-2021	--	01-Sep-2021	30-Jun-2026
Comments:	This indicator covers measures taken to enhance the analytical capacity to measure tax gap and tax expenditures. The ultimate objective is to have a core team – later to be part of the fiscal institute - entrusted with this function.			

Performance-Based Conditions

Data on Financial Performance

Disbursements (by loan)

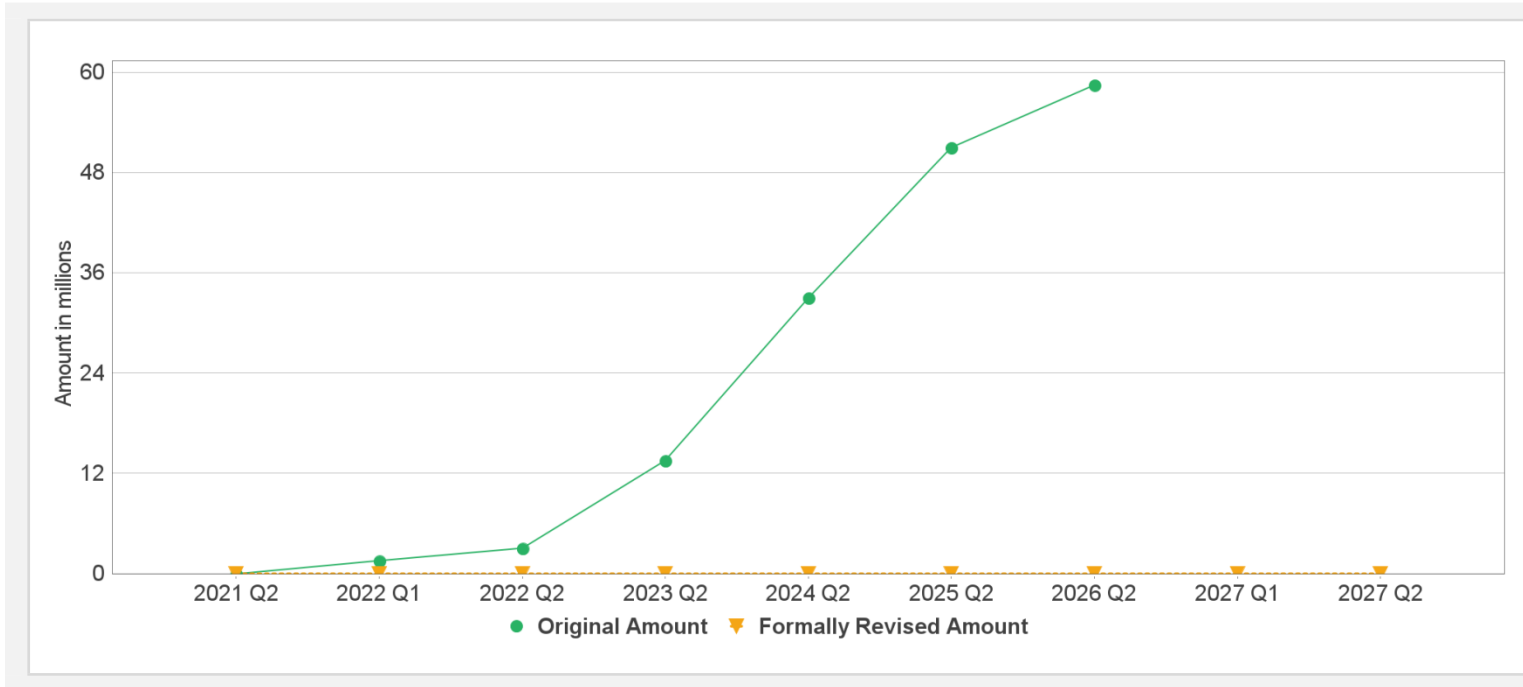
Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P173001	IDA-69120	Not Effective	USD	60.00	60.00	0.00	0.00	60.00	0%

Key Dates (by loan)



Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P173001	IDA-69120	Not Effective	16-Jun-2021	--	--	30-Jun-2026	30-Jun-2026

Cumulative Disbursements



PBC Disbursement

PBC ID	PBC Type	Description	Coc	PBC Amount	Achievement Status	Disbursed amount in Coc	Disbursement % for PBC
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Restructuring History

There has been no restructuring to date.

Related Project(s)

There are no related projects.